P.A.C. 15-II

PUBLIC ACCOUNTS COMMITTEE
1956-57

TWENTY-THIRD REPORT

[Appropriation Accounts (Civil), 1952-53 and Audit Report 1954—Part II and Audit Report (Civil), 1955—Part I]

Vol. II—APPENDICES

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI
May, 1957

CORRIGENDA

Page No.	Line No.	Read	For
1	2	3	4
Contents Page	Against Appendix VII	Statement	Statementi
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28.	26-27	Point (iii) When Government sanction was applied for the particular	Reply: Expenditure of £6,000 on repairs was incurred without ticular.
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	7 of Para 2	*insert* 'of' *after* 'payment'	
35	2	employers	employees

RP-554-20.7.57/1,800.

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APPENDIX I

No. 17 (12)-CT (A)/55

Government of India

MINISTRY OF COMMERCE & INDUSTRY

New Delhi, the 10th May, 1956

Note re: Para 21 of the Sixteenth Report of the Public Accounts Committee—Payment of subsidy for American Cotton to a Mill.

"The local audit of the accounts maintained by the Textile Commissioner revealed that in spite of the clear understanding that the import of cotton by the mills was subsidised by Government only to cover the shortage of appropriate types of Indian Cotton suitable for the manufacture of yarn of medium counts and a general ban on the export of such yarn, a certain mill had been permitted by the Textile Commissioner to export yarn manufactured from subsidised cotton or from an admixture of the same with indigenous cotton. The propriety of the grant of this permission and the recovery from the mill of the subsidy of about Rs. 10 lakhs are now under the consideration of Government."

The Public Accounts Committee wants further information on the following points:—

(1) specific points on which the opinion of the Solicitor-General was sought;

(2) Solicitor-General's opinion on each of the points; and

(3) the particular provision of the Cotton Textile Control Order under which the Textile Commissioner was competent to give exemption in question to the mill.

(4) A copy of the order of the Textile Commissioner to the Mills according exemption to that mill.

The necessary information is given *seriatim* below:—

(1) *Specific points on which the opinion of the Solicitor General was sought*:

The opinion of the Solicitor General was sought on the following points:—

(i) Whether in view of the Special permission given by the Textile Commissioner, Mill could—

(a) manufacture yarn of other than medium counts.

(b) Whether they could export yarn made out of American Cotton; in spite of the terms and conditions of the scheme of subsidy.

(ii) Whether in view of the special permission, assuming that they could manufacture yarn of any counts, they were bound to supply an equivalent quantity of yarn of each count in the manufacture of which subsidised cotton was used.

(iii) Whether the Mills are liable to refund subsidy for the quantity of yarn produced from subsidised American Cotton which was exported by them and not made available for home consumption.

(iv) Whether Government have a good case to press in a court of law or whether they should in the circumstances of this case settle the matter by negotiation or refer the matter to arbitration.

(v) Generally.

(2) *Solicitor-General's opinion on each of the points*:

A copy of the Solicitor General's opinion is enclosed. In view of his advice it has been decided to drop the question.

(3) *The particular Provision of the Cotton Textile Control Order under which the Textile Commissioner was competent to give exemption in question to the Mill*:

Clause 20 (B) (iii) of the Cotton Textile Control Order, 1948, reads as follows:—

"No producer shall produce any yarn from a mixture of Indian cotton with foreign cotton.

Provided that the Textile Commissioner may, by general order permit producers to manufacture yarn from a mixture of such Indian and foreign cottons as may be specified in the Order."

Unler notification No. 9 (9)-Tex. i/49, dated 15th July, 1950 the Textile Commissioner had delegated his powers in respect of clause 20B of the Cotton Textile Control Order, 1948 to a Director in his office. In exercise of these powers, a special permission dated 10/11th October, 1955 was given by Mr..... exempting a mill from the provisions of clause 20B (iii) of the Cotton Textile Control Order, 1948 and permitting it to spin yarn from an admixture of Indian cotton and subsidised American cotton, provided that a minimum quantity of yarnof appropriate counts equivalent to the production from subsidised American cotton content of the mixings was made available to the domestic market.

(4) *A Copy of the order of the Textile Commissioner to a mill according Exemption to it.*

A copy of Special permission No. PHQ/P.L./Com/313, dated the 10/11th October, 1950 is enclosed.

P. GOVINDAN NAIR,
Joint Secretary.

Re: Refund of subsidy drawn in excess by a mill.

The.....Mills used the American subsidised cotton for mixings and apparently spun yarn of very high counts—which they exported. They did, however, supply for domestic consumption medium yarn of the quantity stipulated, and contend that they have not gone beyond what they were allowed to do, whereas Government claims that a substantial part of the subsidy paid to them is refundable. Government's contention is that the Mills could not use the American yarn for high counts—by doing which they have made considerable profits and that by so doing they have broken the conditions of the subsidy and the exemption. It is claimed that the Mills should have given for internal use high count yarn in proportion to the American cotton used in that mixing. Now, the basic reason for the import of the American cotton was to provide medium count yarn for the handloom industry in India. The Mills have given the proper quantity of medium count yarn. In the permission and exemption granted, as above mentioned, there is no stipulation as to any particular kind of yarn except only that the basis of a subsidized cotton supply was the adequate provision of medium count yarn for the handloom weavers. The contention, apparently is that the.....Mills were to give a quantity of "appropriate count". I, however, understand that to mean, counts appropriate to the fundamental scheme, that is to say, counts as specified in Condition 2 (a) of the Communication of the 26th August, 1950. When the permission was given to use the cotton for export mixings, there was no limit or condition as to what the mixing should be for the purpose of export. The only condition imposed was the supply for home consumption of an equivalent quantity of appropriate yarn. It is true, as pointed out in the D.O., dated the 10th February, 1953 from Mr. (——) that there was an embargo from September, 1950 on the export of medium count yarn and that whatever medium counts were made available for internal needs had compulsorily to be done by the Mills in accordance with the embargo. But it seems to me that that has no bearing since there was an obligation upon the Mills to supply medium count yarn for internal use, which obligation under the scheme to do so, has been carried out. It was then suggested that legally Government would be entitled to insist on the production of yarn from each of the mixings being made available for internal needs. Though the matter is not free from doubt, I have come to the conclusion that the stipulation as to the delivery for internal use was of a specified quantity and that the permission accorded could not be understood to mean that a portion of each kind of yarn whether medium or high was to be supplied equivalent to the amount used in each mixing. After all, as I have mentioned above, the need which was the basis of the subsidy scheme was of medium count yarn only and the Mills could not have supposed that they were to supply a proportional quantity of high counts. I agree with the note of Mr. (——) of 12th April, 1954 that in the context appropriate counts could only mean medium counts, and also with his conclusion that the matter should not proceed further.

It is true that by the use of American cotton of high counts for export purposes, the Mills may have made very considerable profit and if the matter is looked at merely from moral grounds, there would be a good deal to be said against the Mills, particularly when Mr. (—) had suggested that there was no question of loss to Govt. or profit to the Mills. *Legally, however, I think, Government has no case for refund of the subsidy.*

Copy of Special Permission No. PHQ/PL/COM/313, dated the 10th October, 1950, from Government of India, Ministry of Commerce & Industry, Office of the Textile Commissioner, Wittet Road, Ballard Estate, Bombay, to M/s.....Mills Co. Ltd.

In exercise of the powers conferred on me by the Textile Commissioner, Bombay, in his Notification No. 9(9) Tex/I/49, dated 15-7-50, I hereby exempt M/s.....Mills Co. Ltd., from compliance with the directions contained in Clause 20B (iii) of the Cotton Textiles (Control) Order of 1948 and permit them to spin yarn from an admixture of Indian cotton and subsidised American cotton, provided that a minimum quantity of yarn of appropriate counts equivalent to the production from subsidised American Cotton content of the mixings is made available to the domestic market.

APPENDIX II

MINISTRY OF COMMERCE AND CONSUMER INDUSTRIES

Note re: Para 26 of the Sixteenth Report of the Public Accounts Committee—Alterations in the cash Receipts.

Early in January, 1949, Shri (——) clerk and another person were found to be involved in a case relating to the spurious alterations in the cash receipts of railway freight and octroi paid on consignments for the late Ministry of Commerce. The F.I.R. was sent to the Special Police Establishment on 10th January, 1949 and Shri (——) was suspended with effect from 12th January, 1949.

The Police authorities reported the result of their investigation to the Ministry on 5th September, 1950. They recommended the prosecution of both the persons. However when the report was examined in the late Ministry of Commerce, in consultation with the Ministry of Home Affairs, it was felt that the case against the other person for prosecution was weak and that departmental proceedings might be started against him after a decision had been reached in Shri (——) case. Accordingly, sanction was accorded on 27th July, 1951 for the prosecution of Shri (——) alone. He was prosecuted in the Court of the Special Judge, Delhi. The proceedings against him were however quashed on 28th September, 1953 on the ground of the technical defect that the Investigating Officers, being below the rank of Deputy Superintendent of Police, had not complied with the provisions of Section 5 (4) of Act II of 1947 (The Prevention of Corruption Act.). In his judgement the learned Judge had remarked that prosecution might submit a fresh charge sheet after complying with the provisions mentioned above. The case was again put in Court for retrial on 18th January, 1954.

Shri (——) has since been convicted under section 409 I.P.C. for having misappropriated the amount of Rs. 3845/12/6. He has been sentenced to rigorous imprisonment for 2 years. Judgement was delivered on 13th August, 1956. Shri (——) has been dismissed from service with effect from that date.

It is understood from the Special Police Establishment that Shri (——) filed an appeal against his conviction on 30th August, 1956. The question of taking departmental action against the other person, who was alleged to be involved in this case with Shri (——) and the supervisory staff, would, therefore, be examined after a decision in the Appeal is made and the relevant records are made available to this Ministry.

NEW DELHI;
24th *January*, 1957.

U. L. GOSWAMI,
Joint Secretary.

APPENDIX IV*

MINISTRY OF EXTERNAL AFFAIRS

Note re: Advances for the purchase of motor cars referred to in poses referred to in para 8(a) of Audit Report (Civil) 1955—Part I.

The observations of Audit are reproduced below:—

"8 (a). *Advances for the purchase of Motor Cars*:—

An officer was sanctioned three advances for the purchase of motor cars within 4 years as shown below:—

Year	from whom received	Date of the sale of the car	Amount of advance (Rs.)
1. March, 1948.	High Commissioner for India, London.	November, 1948	7,500
2. August, 1949.	Ministry of External Affairs . .	July, 1950 . .	8,000
3. March, 1952.	Embassy of India, Bonn. . .	December, 1952 .	9,00

The cars were sold each time without the prior approval of the Government, who regularised these transactions by *ex-post-facto* sanctions.

Formal sanction of Government for the first advance was not obtained before it was paid. *ex-post-facto* sanction was issued by Government on 10th July, 1949. The irregularities in this connection were:—

(i) the advance was drawn in Sterling by the officer's wife when the officer was stationed in India;

(ii) the car was purchased in his wife's name;

(iii) it was left with a relative, to whom it was subsequently transferred;

(iv) an amount of Rs. 1,540/- drawn in excess of the actual cost of the car, was not refunded to Government, as required under the rules;

(v) the car was not used for a single day in the discharge of his official duties till its transfer; and

(vi) the advance was finally secured against another car purchased by him.

*Appendix III has not been printed.

The third advance was drawn by him when he was allowed use of an official car, with permission to use it for reasonable private purposes. The sale proceeds of this car were retained for a period of six months for purchasing another car although the rules require that all purchases should be completed within a period of one month."

2. This case was not discussed in detail in the meetings of the Public Accounts Committee held on the 6th and 7th November, 1956 as the representative of this Ministry explained that some further facts had come to notice which required detailed examination. Necessary action has since been completed. The facts of the case are explained below:—

(i) The officer was posted to an Indian Mission in Europe in August, 1947 and he wanted to buy a car. But it was not possible to import one as all the ports were closed during winter. In the meantime he was transferred to another neighbouring Indian Mission and was required to come to India on consultation duty. He applied for an advance for buying a car in London so that he could take it to his new assignment in West Asia. On receipt of necessary authorisation from the Ministry of External Affairs in March, 1948 the High Commissioner for India in London paid the advance to the wife of the officer on his behalf as the officer came ahead of his wife who was detained in London due to the illness of their child. A Hillman Minx was purchased in London and was brought by his wife when she came to India. The officer was expected to proceed to his new post almost immediately after his arrival in New Delhi but due to disruption of air communication matters were delayed and he had to remain in India up to May, 1948. During this period he was advised that a larger car was necessary for the rough roads in the country of his new assignment. He, therefore, purchased a De-Soto, which was more suitable to his requirements and also requested the Government to transfer the advance granted to him on the first car purchased in London to the new one. The sanction was accorded and after its issue the Hillman Minx was sold to one of his relations in India.

(ii) The officer was then again transferred back to India. The De-Soto car was sold by him locally in November, 1948 with the approval of the Ambassador. He appears to have made a profit of approximately Rs. 1,000/- on this car.

(iii) In May, 1949, he applied for the second advance of Rs. 8,000/- which was sanctioned in July, 1949 and a Chrysler car was purchased. In August, 1950 he was again transferred to a Mission in Europe. He applied for permission to the sale of the car. Since the entire amount outstanding against him had already been repaid by him

in September, 1950, it was presumed that no formal sanction to the sale of the car was necessary. However, on reconsideration such a sanction was issued *ex-post-facto* in March, 1954. This car was brought and sold in India.

(iv) In April, 1951 while at his post in Europe, the officer applied for the third advance of Rs. 9,000/- for the purchase of a car from the United States of America. The advance was sanctioned in August, 1951 on the condition that it should be drawn in Swiss Francs and not in U.S. Dollars. The amount was drawn by him in March, 1952 through the Indian Mission at Berne and a Chevrolet car was purchased after completing all the necessary formalities. In December, 1952 he informed the Government of his intention to sell the Chevrolet two-door coupe as he found it to be unsuitable and intended to purchase another 4 door coupe. The necessary sanction for the sale of the Chevrolet car was issued in January, 1953. The car was, however, actually sold by him to a diplomatic officer on the 20th December, 1952, as local sale was not otherwise permissible and the offer of the diplomat would not have been available if the car had not been sold to him immediately. The sale proceeds of this car were handed over by him to a local motor dealer in part-payment of the cost of the new Buick car ordered by him from the U.S.A. This Buick was delivered to him in June, 1953. It would be clear that the sale proceeds of the Chevrolet car were not retained by him but were applied for the purchase of another car. He incurred a loss of Rs. 1,325/- on the sale of this Chevrolet car.

3. The following comments are offered on the points of criticism made by the Audit:—

(i) *The cars were sold each time without the prior approval of the Government who regularised these transactions by* ex-post-facto *sanctions.*

The cars were sold each time without the approval of the Government but such sales have all been regularised by the issue of *ex-post-facto* sanctions. It was observed that it was generally a time-consuming process to obtain authority from Government for individual transactions and if the officers were required to wait for these orders it would have resulted in disruption or dislocation of their subsequent postings. Besides, the local officers for the disposal of the cars would also not be available for any length of time. In view of this difficulty Heads of Missions were subsequently authorised in April, 1955 to sanction sale or transfer of cars in all such cases in which they were purchased out of advances granted by Government. The irregularities may, therefore, be viewed against this background. From the details of places of his postings during the period 1948-52 mentioned above, it would be evident that it was not possible for

him to obtain in time the Government's prior formal sanction for the sale of the cars in question, though he always informed the Government about his intentions well in advance.

(ii) *Formal sanction of Government for the first advance was not obtained before it was paid.*

A request for the first advance was made by the officer on the 25th February, 1948. The payment of the advance was approved by the Ministry and after informal consultations with the Ministry of Finance the High Commissioner in London was authorised by telegram on the 3rd March, 1948 to pay the advance to the Officer's wife in London. *Ex-post-facto* sanction was issued by the Government on 10-7-1949 after obtaining formal concurrence of Finance.

(iii) *The advance was drawn in sterling by the officer's wife when the officer was stationed in India. The car was purchased in his wife's name.*

At the time the request for an advance for the purchase of a car was made by the officer and the advance was sanctioned by the Government, his wife was held up in London on her way to India. The officer had to precede her to India as his presence was immediately required in public interest in connection with his new assignment, and in these circumstances the car was registered in the name of his wife. The Mortgage Bond etc., were, of course signed by the Officer.

(iv) *It was left with a relative to whom it was subsequently transferred. The car was not used for a single day in the discharge of his official duties till its transfer.*

As the officer had been permitted to transfer the advance towards the purchase of another car the Hillman Minx was sold. The relative comes into the picture only as a buyer of the car. Government had already agreed to transfer the advance granted for this car to the new De-Soto car purchased subsequently.

(v) *An amount of Rs. 1,540/- drawn in excess of the actual cost of the car was not refunded to Government as required under rules.*

The Audit pointed out in July, 1948 that a sum of Rs. 1,540/- being the difference between the amount advanced to the officer and the cost of the car was to be recovered from him. Before the officer could be asked to refund this amount, further developments regarding the transfer of this advance to the other car took place. A formal sanction to this transfer was issued on 3-9-1948.

(vi) *The third advance was drawn by him when he was allowed use of official car with permission to use it for reasonable private purposes. The sale proceeds of the car were retained for a period of six months for purchasing another car, although the rules required that all purchases should be completed within a period of one month.*

Government's policy in this regard is to encourage the use and maintenance of private vehicles by their officers so that the load on the official cars could be reduced to the minimum. The sale proceeds of this car were also not retained by the officer. As mentioned above, they were paid to a local motor dealer in part-payment of the cost of the new Buick car ordered by him. It was undoubtedly a breach of the rules, regulating advances but in the circumstances explained this was unavoidable.

4. It has been observed that during the four years in question (1948-1952) the officer served at six different stations abroad and also returned to India twice. He made a profit of about Rs. 1,000/- by the sale of the De-Soto car. It is proposed to recover this amount from him and credit it to Government.

B. N. CHAKRAVARTY,
Special Secretary.

APPENDIX V

MINISTRY OF EXTERNAL AFFAIRS

Note re: unauthorised use of Government cash for private purposes referred to in para 10 (a) of Audit Report (Civil) 1955—Part I.

The Audit comments as in paragraph 10 (a) of the Audit Report (Civil) 1955—Part I, are reproduced below:—

> "10 (a). *Unauthorised use of Government cash for private purposes*:—Between January and March, 1949 amounts totalling 4420.71 units were withdrawn by the Minister from the bank as personal advances for himself and the staff without the sanction of Government. These irregular withdrawals did not come to notice in Central Audit and could not, therefore, be reported earlier, because they were not entered in the cash book, nor shown in the monthly accounts sent to the Audit Officer. Similarly, the refund of the amounts which took place in March, 1949, was not shown in the accounts submitted to Central Audit. It has been explained that the failure to show the irregular withdrawals in the accounts sent to Audit was due to the staff not being well versed in accounts in the beginning."

2. This was discussed in the meeting of the Public Accounts Committee held on the 6th and 7th of November, 1956, who desired to know the circumstances under which the amounts drawn were not shown in the cash book and in the accounts sent to the Audit.

3. The head of the Mission concerned had not received his pay slip and had not drawn his salary until the 12th March, 1949 though he had been posted to this Mission on the 11th January, 1949. In these circumstances, he drew advances like other members of the Mission to maintain himself in the foreign country. This fact was reported to Government though it appears that no covering sanction was issued. The entire advances drawn by the head of the Mission were refunded on his drawing his salary and allowances for the first time. Due to some misunderstanding, neither the amount drawn as advances nor its refund was recorded in the cash book maintained in the Mission but these transanctions were recorded in another file and in the bank account, which was produced for inspection by Audit. The monthly accounts of the Mission were sent for the first time

subsequent to the adjustment of the advances drawn. Due to the same misunderstanding, the drawal of the advances and its refund were kept out of these monthly accounts. These irregularities are therefore of a technical nature and are very much regretted.

B. N. CHAKRAVARTY,
Special Secretary.

APPENDIX VI

MINISTRY OF EXTERNAL AFFAIRS

Note re: Paras 61 to 64 of the Fifteenth Report of the Public Accounts Committee—Advance payment by the High Commissioner for India in London for acquisition of premises (Gaiety Theatre).

1. *The Committee are unable to appreciate why it was considered expedient by the High Commissioner for India in London to start negotiations with other parties after the advance of* £17,000 *had been paid to Adhil Properties Ltd., and why there should have been so much delay in finalising either of these arrangements.*

It was explained in the statement made by Shri R. K. Nehru on the 14th December, 1954 that the delay in finalising the agreement between Mr. X and the High Commission regarding the construction of the building etc. was mainly due to architect's designs etc. not being approved. These required the approval of the local authorities which proved to be a long process. Further, the High Commissioner came to know that there were other development companies which might be prepared to offer better terms than Mr. X. In order to explore all possibilities of securing more favourable terms, the High Commissioner considered it expedient to make further enquiries and look for a cheaper developer, if possible, before concluding an agreement with Mr. X. After sometime, on the advice of a leading lawyer, it was decided to squeeze out Mr. X and enter into an agreement with another development company which was prepared to offer better terms. Unfortunately, these plans were defeated by the precipitous action of the mortgagee in exercising the right of sale and suddenly foreclosing the property. This development could not be foreseen as the mortgagee acted almost overnight.

2. *The Committee regret to learn that there is no prospect of recovering the amount of* £17,000.

The actual loss to Government was £15,975 as a sum of £1,025 was recovered from the solicitors of the lessee of the property.

3. *An unsatisfactory fature of this .case is the incompletness of records. The Committee would like to know the steps taken by the Ministry of External Affairs to set matters right in this direction.*

The conduct of this case conformed to all the rules and procedure of office and was at all times carried through proper channels, *i.e.* with the concurrence of the Legal and Financial Advisers of the High

Commissioner. It is not clear why the records maintained in the High Commission are regarded as incomplete.

4. *The Committee fail to understand why it was at all necessary to have recourse to an intermediary instead of dealing direct with the lessee, more particularly, as the lessee was himself brought into the discussion subsequently.*

There would have been no point in the High Commissioner carrying on direct negotiations with the lessee unless the Government of India were interested in the out-right purchase of this property. Since this was not the intention, the negotiations had to be with a developer, whether Mr. X or some other person. Even otherwise, it was necessary to interpose an Intermediary as direct negotiations would have disclosed the High Commission's interest in the development of this property, thus attracting speculators who would have raised the value of the property. It may be noted that it is not unusual in London for a development company to be used as an intermediary in such transactions to preserve and anonymity.

5. *The Committee wish to record their strong disapproval of the action taken in this case.*

The remarks of the Committee have been noted. The loss is, however, due to extenuating circumstances and the sudden decision of the mortgagee to exercise the right to foreclose on the property.

S. DUTT,
Foreign Secretary.

APPENDIX VII

MINISTRY OF FINANCE

Statement re : Para 51 of the Sixteenth Report of the Public Accounts Committee—Income-tax Cases

Replies to (a) to (d)

	5(1) cases			5(4) cases			Total			Tax demanded in settlement cases.	Amount realised
	Settlement basis	Report basis	Total	Settlement basis	Report basis	Total	Settlement		Report		
										Rs. (Crores)	Rs. (Crores)
Cases completed by the Commission .	609	225	834	189	35	224	798		260	24·4	11·96*
Pending . . .	..	..	470	..	..	141	..	611	..	..	..
TOTAL REFERRED . .			1304			365	798	611	260		
Cases affected by Supreme Court's judgments . . .	559	193	752	159	35	194	718	611	228	26·93@	11·96*
No. of cases taken over by Govt. .	470	752	1222	141	194	335	..	..	..	..	..

*Separate figures for each category not available.

@Pertains to all cases completed by the Commission which were affected by the S.C.'s judgements, Reply to (*e*): A statement is attached.

The difference between the figures given in item 1 of the statement attached and the number of cases shown above as taken over by the Government is due to the fact that the question of re-opening settlements made after 26-1-50 in cases referred u/s 5(1) is still under consideration and in as many as 97 cases disposed of by the Commission after 26-1-50 on report basis no action under section 34 (1A) was found possible.

Statement showing Progress of action in cases dealt with under section 34 (1A) of the Indian Income Tax Act, 1922 upto 31-5-1956

1.	Total number of cases taken over from the Income-tax Investigation Commission			901
2.	Number of cases in which action u/s 34 (1A) of the Income-tax Act has been taken			696
3.	Number of cases found infructuous *i.e.* which require no action under Section 34 (1A)			205
4.	Number of cases in which Settlement applications have been received.			231
5.	(*a*) No. of cases in which settlement applications have been disposed of	147		157
	(*b*) No. of cases disposed of on non-settlement basis	10		
6.	(*a*) Concealment involved in cases shown against 5(*a*) above	Rs.	6,84,49,920	
	(*b*) Concealment involved in cases shown against 5 (*b*) above	Rs.	43,00,000	
	TOTAL CONCEALMENT	Rs.	7,27,49,920	
7.	Demand raised	Rs.	4,63,55,015	
8.	Collections made	Rs.	2,74,00,000	

APPENDIX VIII

MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

Note re: Para 51 of the Sixteenth Report of the Public Accounts Committee—Income-tax Cases.

The replies to questions raised in the Public Accounts Committee's Memo. No. 100-PAC/56 dated the 24th December, 1956 are given below:—

(i) *Q. According to the statement furnished the number of cases finally settled till May,* 1956 *is* 157; *when do the Board expect to dispose of all cases at this rate?*

A. The remaining cases are expected to be completed within about a year.

(ii) *Q. A break-up of* 157 *cases disposed of till May,* 1956 *on the lines of the break-up for the* 126 *cases disposed of during* 1954-55 *may please be given. (Cases already completed by the Income-tax Investigation Commission and fresh cases).*

A. The break-up for 157 cases disposed of till May 1956 under Section 34 (1B) and 34 (1A) is as follows:—

No. of cases disposed of u/s 34 (1B) (Settlements) . . **147**

	Cases already disposed of by I.T.I.C.			Fresh cases			Total
No. of cases	5(1) 10	5(4) 97	Total 107	5(1) 11	5(4) 29	Total 40	147
		(Rs. crores)					
Concealment . .	@nil	5·21	5·21	·21	1·42	1·63	6·84
Demand . .	@nil	3·21	3·21	·14	1·01	1·15	4·36
Collection* . .	..	..	..	..	..	..	2·68

No. of cases disposed of u/s 34(1A) (Assessment) . . . 10

TOTAL . . . 157

	5(1)	5(4)	Total
No. of cases	7	3	10
	(Rs. crores)		
Concealment . .	·43	negligible	·43
Demand . . .	·27	Do.	·27
Collection . . .	·06	Do.	·06

*Separate figures for 5(1) and 5(4) not available.

@Joint settlement cases, concealment and demand included in 5(4) cases.

(iii) *Q. What is the number of cases disposed of upto 30th November, 1956 and the categories thereof, viz.—Section 5(1) and 5(4)—cases already finalised by the Commission and new cases?*

A. The total number of cases disposed of upto 30th November 1956 is 189. The break up for this figure is as follows:—

No. of cases disposed of u/s 34(1B) (Settlement) . . 169

	Cases disposed by ITIC			Fresh Cases			Total
No. of cases	5(1)	5(4)	Total	5(1)	5(4)	Total	
	10	97	107	32	30	62	169
	(Rs. Crores)						
Concealment . .	Nil	5·21	5·21	1·3	2·12	3·42	8·63
Demand . . .	Nil	3·21	3·21	·8	1·43	2·23	5·44
Collection* . . .	..	..	..	..	..	..	2·68

*Separate figures for 5(1) and 5(4) not avilable.

No. of cases disposed of u/s 34 (1A) (Assessment) 20

TOTAL 189

	5(1)	5(4)	Total
No. of cases	15	5	20
	(Rs. Crores)		
Concealment . .	·88	Negligible	·88
Demand . . .	.4	Do.	·4
Collection . . .	·06	Do .	·06

(iv) *Q. While giving the figures of demands in the statement, the total demand has been confined to the settlement cases only under both the Sections while the tax realised is stated to relate to both the categories. What is the demand in respect of report cases?*

A. The demand in respect of cases disposed of by I. T. I. C. on Investigation basis and Settlement basis is Rs. 5.02 crores and Rs. 24.4 crores respectively. The total demand in respect of all the cases disposed of by the Commission is thus Rs. 29.42 crores.

Q. The amount already collected being Rs. 12 crores how long will it take to realise the balance?

A. The tax already realised in respect of the total demand of Rs. 29.42 crores is Rs. 11.96 crores. It is not possible to state how long it would take to realise the balance of Rs. 17.46 crores for the reasons given below:—

The provisions of Sections 5 (1) and 5 (4) of the Taxation on Income (Investigation Commission) Act, 1947, having since been declared *ultra vires* the Constitution, it is no longer possible to effect recoveries in respect of pending demands in all 5 (4) cases and 5 (1) report cases. So far as the recoveries in settlement cases are concerned, they are in different stages of recovery. The question whether the settlements arrived at by the Commission could be regarded as valid and binding contracts in spite of the validity or otherwise of the Sections under which these cases were referred, is at present under consideration of the Ministry of Law in consultation with the Attorney General.

NEW DELHI;
The 17th January, 1957.

A. K. ROY,
Secretary.

APPENDIX IX

MINISTRY OF AGRICULTURE

Note re: Nitrogenous Pool Trading and Profit and Loss Accounts referred to in para. 203 of Commercial Appendix to Appropriation Accounts (Civil) 1952-53 and Audit Report 1954—Part II.

RECOMMENDATIONS OR QUERY BY THE PUBLIC ACCOUNTS COMMITTEE.

(i) A detailed note stating the results of further consideration of the findings of Arbitrators to be undertaken by the Ministry, and

(ii) whether the Ministry is satisfied with these findings.

The reference is to the Arbitration Proceedings in the dispute between M/s (—) of Bombay and the Union of India.

Prior to the announcement of the Arbitrators' Award the Solicitor to the Government of India at Bombay made certain proposals on acceptance of which by Government it appeared the Arbitrators would pass a consent order. A committee consisting of representatives of the Ministries of Food and Agriculture, Law and Finance was thereupon constituted to consider these proposals. The Committee after considering each item under dispute suggested certain alternative figures as they felt that the amounts communicated by the solicitors to form the basis of a consent award fell short of what they (the Committee) considered reasonable. The following shows the position in regard to the proposals made on the final award by the Arbitrators:—

(1) Claims of M/s. (—) on Government of India

	(Rs. in lacs).
(i) Claims made by the firm	12:82
(ii) Amount proposed by solicitors	7·33
(iii) Amount suggested by the Special Committee	6·72
(iv) Amount awarded by the Arbitrators.	7·79

(2) Claims of Government of India on the firm.

	(Rs. in lacs).
(i) Total claims	5·34
(ii) Amount proposed by the Solicitors	1·84
(iii) Amount suggested by the Special Committee	4·08
(iv) Amount awarded by the Arbitrators.	1·9

It will be seen from the above statement that the Arbitrators awarded Rs. 1·07 lacs more to the firm and Rs. 2·18 lacs less to the Government of India than the corresponding amounts suggested by the Special Committee, thus resulting in an extra payment of Rs. 3·25 lacs over the Special Committee's recommendations. Further, the award mentioned only a lump sum to be paid to either party without giving the details of the amount awarded in respect of each of the items referred to Arbitration. For these reasons the Government of India felt dissatisfied with the award and sought the advice of the Ministry of Law whether the award could be set aside although our counsel and solicitors had expressed, while forwarding the Award, that in their opinion no useful purpose would be served by taking up the matter further.

The Ministry of Law advised that the award was intended to be final both in fact and in law, that it could not be set aside or remitted simply because it did not give details in respect of items in dispute and that the Arbitrators were not bound to give their reasons for the award like a judgement in a court of law. Recourse to court was open only under sections 16 and 30 of the Arbitration Act, 1940 proving collusion etc., on the part of the Arbitrators but in the case under consideration no facts had been brought out to justify the remission or setting aside of the award. Under the circumstances the Ministry of Law advised that the Government might abide by the Award.

In the circumstances explained above the Government of India had no other alternative but to accept the award which they did with the concurrence of the Ministry of Finance.

The expenses incurred on demurrage, transhipment etc., and paid under the terms of the Award were not due to any administrative lapses. The losses due to shortages have been written off wherever necessary.

T. C. PURI,
Joint Secretary.

APPENDIX X

MINISTRY OF TRANSPORT

No. B-29 (18) /55 *New Delhi–2, the 4th September,* 1956.

Memorandum re: Para. 123 of the Sixteenth Report of the Public Accounts Committee–Uneconomical purchase of a second-hand tractor.

The undersigned is directed to refer to the answer to question *5 in the note regarding the uneconomical purchase of a second-hand tractor, enclosed with this Ministry's Memorandum of even number dated the 16th April 1956, and to say that the explanation of the Mechanical Engineer has been considered by the North East Frontier Agency Administration who are of the opinion that the evidence does not indicate that the Mechanical Engineer was guilty of giving any wrong advice with regard to the purchase of the tractor. The Government of India agree with the view taken by the Local Administration.

2. This has been seen by audit.

3. Forty spare copies of this Memorandum are enclosed.

H. P. MATHRANI,
Joint Secretary.

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*Q. No. 5. What was the action taken by the Assam Government against the Mechanical Engineer?

Ans: The explanation of the Mechanical Engineer has been received and is under consideration by the North East Frontier Agency Administration.

No. Eng. 207/52(Pt-II)/102.

Government of India

North East Frontier Agency

Shillong, the 12th April, 1956.

From

The Deputy Secretary,
(Development & Engineering), N.E.F.A. Sectt.,
Shillong.

To

The Under Secretary to the Govt. of India,
Ministry of Transport, New Delhi.

Subject:—Audit Para. on the Purchase of a Second Hand Tractor

Sir,

With reference to the correspondence resting with your D.O. No. B-29(18)/55, dated the 21st March, 1956 on the above subject, I am directed to say that the tractor in question with Bulldozer was inspected by the Mechanical Engineer along with our Executive Engineer in the premises of Messrs. (—) on 2nd October, 1948 and both of them were satisfied about the workability and reasonableness of the price quoted. The tractor remained in the premises of the supplier till 18th November, 1948 and was received by the Executive Engineer on 19th November, 1948 without the Bulldozer. The Bulldozer was received subsequently by the Executive Engineer on 15th December, 1948. Meanwhile one had been rejected on the grounds that it was not the same inspected and approved by the Mechanical Engineer and the Executive Engineer.

2. The tractor when received on 19th November, 1948 and the Bulldozer on 15th December, 1948 (after rejecting one supplied earlier) by the Executive Engineer were not retested by the Mechanical Engineer. It has been proved beyond doubt that the tractor was received in running order and it was actually on road till 27th December, 1948 when engine failed. It now transpires from the Daily Report of the then Sectional Officer (——) that he engaged certain labour from 28th December, 1948 to 31st December, 1948 daily, for taking up the "Capsized" tractor. The work of taking up the capsized tractor was completed on 31st December, 1948 as now revealed by the same Daily Report by the then Sectional Officer. The tractor remained unworkable up to 23rd March, 1950, on

which date it was put on the road for the second time after necessary repairs and replacements. It is also a fact that during the period 28th December, 1948 to 23rd March, 1950 when the tractor remained idle the said Mechanical Engineer was not asked to inspect the machine.

3. In view of the above it may not be justified to hold the Mechanical Engineer responsible for giving a false certificate about the machine. Though, the same machine which was approved by the Mechanical Engineer and the Executive Engineer was received it cannot be denied that there was ample scope for the supplier to replace any of the parts previously tested. It is also a fact that it took quite a long time to get the machine fit and to put it on the road for the second time. The capsizement of the tractor and the subsequent delay in getting the machine fit might have resulted in all these troubles. There is, however, no record to prove that the tractor was looked after properly, during the period (from 28th December, 1948 to 23rd March, 1950) when it remained idle, and, as such the Mechanical Engineer's inference to the contrary cannot be wholly overruled.

APPENDIX XI

MINISTRY OF WORKS, HOUSING AND SUPPLY

***Note re: Extra expenditure on U.S. Stores referred to in para 22 of Audit Report (Civil) 1955—Part I.**

As desired by the Public Accounts Committee, a copy of the Statement of Claim of the Government filed against the firm above named is enclosed.

2. The Government (Claimant) seek to recover from M/s. (Respondents) a sum of Rs. 4,02,492-10-9 on account of loss occasioned to Government in the shape of extra expenditure incurred by it in re-purchase of certain earth moving machinery for which an order had originally been placed with M/s. (——) but which they failed to execute by the stipulated delivery date.

3. Under the terms and conditions of the contract placed with M/s. (——) any question or dispute arising between the parties to the contract were referable to arbitration of two arbitrators—one to be nominated by each party. It was in pursuance of this term of the contract that the Government Claim was referred to arbitration.

4. The Government's Statement of Claim, referred to in para. 1 above has already been laid before the arbitrators. No reply thereto has however so far been filed by the Respondent and in consequence no issues can, therefore, be framed. In fact, the arbitration proceedings are at present at a standstill owing to the Respondent having moved an application in Court under S. 5 Arbitration Act for the revocation of the authority of the arbitrators on the ground that the Government arbitrator had misconducted himself in allowing extension of time to Government for filling its statement of claim. This application was dismissed in the trial Court and thereupon the Respondent firm moved the High Court for a revision of the order of dismissal passed by the trial Court. The matter is still pending in the High Court.

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* The Ministry have now submitted a revised note stating *inter alia* "The claim before the Arbitrators was filed for Rs. 4,02,492-10-9 inadvertently and that steps are now being taken to amend the Goverment claim to Rs. 4,20,492-10-9." This note was not considered by the Committee, as it was received late.

APPENDIX XII

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note re: Loss due to non-acceptance of a more favourable offer referred to in para 27 of Audit Report (Civil) 1955—Part I.

A note stating the results of the review to be undertaken in the C.&F. and F.A.S. contracts entered into by the Ministry of Works Housing and Supply.

In assessing such merits a distinction will have to be made between charter shipments and liner shipments. In the case of liner shipments there can be no doubt that it is more advantageous to Government of India to conclude contracts on F.O.B. basis and make their own arrangements for shipment, for reasons as since confirmed by the India Supply Mission whose reply is reproduced below:

> "No doubt it is obviously advantageous to the Government to purchase stores on F.O.B. basis rather than C.&F. in the case where berth-line shipments are involved as India Supply Mission get 15% concession on the Conference rates. This concession is not available to the private trade. Besides that, we save in the matter of charges by freight forwarder and the handling cost which are also available to us from our contractor at a very reasonable rate".

The same conditions also apply in the case of India Store Department, London, namely, a 15% concession on the Conference rates plus saving in the charges for freight forwarding and handling.

This however, does not mean that offers on C.&F. basis in the case of charter shipments are not accepted by the Government Ordinarily, however, such offers are not received even where the consignment is of sufficient volume and tonnage to warrant a charter; firms also usually add a substantial premium to their quotation if they are required to quote on C.&.F. basis to cover possible increases in freight rates subsequent to their quotation and the anticipated difficulties in obtaining shipping space due to the present tight shipping position. Government of India occasionally accept offers on C.&F. basis in view of difficulties involved in arranging freight departmentally and when prevailing freight rates are not more favourable and it is not considered worthwhile to arrange shipment departmentally. In this particular case of shipment of steel billets C.&F. offer was not accepted as it was anticipated

that rates would come down and it would be more economical to accept an F.A.S. quotation and arrange freight departmentally though unfortunately this expectation did not materialise.

The Mission were also requested to let us know the result of such a review in case of shipments on full charter basis during the last one year. As there has been no case of shipment on full charter basis, during the last one year, the Mission are unable to compare contracts on F.O.B. & C.&F. basis to know which of them would be more advantageous. Ordinarily, however, except in exceptional cases charter arranged by Government is less costly in view of the arrangement for charter being made directly from the Baltic Exchange, and the saving in dollar under such an arrangement which enable the freight element to be paid in soft currency.

DATED: 10*th December,* 1956.

M. R. SACHDEV,

Secretary.

APPENDIX XIV*

MINISTRY OF COMMERCE & CONSUMER INDUSTRIES

Note re: Extravagant Expenditure referred to in para 2 of Audit Report (Civil), 1955—Part I.

Point (*i*) Date on which the sanction for repairs to the building was applied for.

Reply: Government were not approached for sanction for repairs to the building. The expenditure on repairs was met from contingency grants for commercial publicity within the Financial powers of the High Commissioner for India in London.

The Audit are of the view that the High Commissioner has no doubt power to sanction expenditure on repairs from contingency grants but such powers should be exercised in relation to repairs and maintenance of existing buildings and not in respect of repairs and alterations necessary for making newly required premises suitable for initial occupation.

According to this Ministry the High Commissioner was competent to use this grant under contingencies within his discretion for making the newly acquired premises also suitable for giving commercial publicity through exhibitions.

Point (ii) Was the expenditure of £6,000 on repairs incurred before the sanction was applied for?

Reply: Expenditure of £6,000 on repairs was incurred without applying for Government sanction thereto. Reply to point (i) above refers.

Reply: Expenditure of £6,000 on repairs was incurred without ticular agreement, whether the building should be taken on lease or not, was any mention made that the premises would need extensive repairs and redecoration?

Reply: At the time of applying for Government sanction to the lease agreement, no mention was made that the premises would need extensive repairs and redecoration. Certain alterations and repairs necessary to readapt the premises for the purpose of giving commercial publicity might have been anticipated, but the full extent of repairs and redecorations and the cost thereof could not have been foreseen before obtaining an Architect's report.

Point (*iv*) Who were the owners of this building?

Reply: Owners of the building are Commissioners of Crown Lands, London. The lease was, however, previously held by and purchased from Ceylon High Commissioner.

K. B. LALL,
Joint Secretary.

*Appendix XIII has not been printed.

APPENDIX XV

MINISTRY OF WORKS, HOUSING & SUPPLY

Memorandum re: Loss of cheques and losses in cash referred to in para 23 of Audit Report (Civil) 1955—Part I.

A case has occurred in this Department in which Government have been put to a loss in the following manner:—

(i) The Cheque Book used to remain with the Cashier and two Cheques were torn out of it by another person who used to visit the Cashier very often. One of these cheques was actually cashed under forged signature but when the second cheque was being cashed it came to the notice of the cashier that two cheques were torn without his knowledge. He brought it to the notice of the Executive Engineer and the payment of the second cheque could be stopped in time by contacting the Bank, but the payment against one cheque had already been fraudulently obtained.

(ii) The cash in chest was counted and it was found that it was also short. On an investigation it came to notice that the cashier had been showing the amounts of temporary advances outstanding against the S.D.Os. in excess of the actual amounts for which he possessed the receipts. The difference was being misappropriated by him.

(iii) It was also noticed that certain amount was overdrawn by drawing cheques for a greater amount than for which the bills had actually been passed.

In order to avoid recurrence of such losses in future the following instructions should be very carefully observed by all Disbursing Officers in this Department rigidly followed by them:—

1. In accordance with paragraph 90 of the C. P. W. A. Code, Cheque Books must be kept under lock and key in the personal custody of the Divisional or Sub-Divisional Office concerned. The requirement of this rule should be duly observed. Paragraph 89 *ibid* lays down that Cheque Books on receipt should be carefully examined by the Divisional or Sub-Divisional Officer concerned who should count the number and record a certificate of count on the fly leaf. As an additional safeguard the Disbursing Officer should either write the cheques himself or he should have the cheques written by the cashier in his presence and under no circumstances he should part with the Cheque Book which should remain in his personal custody.

(2) The Disbursing Officers are required to count the cash in chest at least once a month *vide* paragraph 95 of the C.P.W.A. Code. This is normally done, but when the transactions are numerous, a weekly or even daily balancing of the cash book is permissible under provisions of paragraph 78 *ibid.* In addition to the monthly count, the Disbursing Officer sould make at least one or two surprise counts of cash in chest every month, and record certificate of count as usual.

(3) Generally, temporary advances are given to the Assistant Engineers for disbursement of wages of labourers etc. during the first week of the month and they should be called upon to render the accounts by the 20th of each month and, where required, remit the unspent balance by that date. In the event of the account remaining unadjusted during the month or the unspent balance remaining in the hands of the advance holder, which cases should be few and far between, it should be the duty of the cashier to have the acknowledgements revalidated on the last working day of the month. The Disbursing Officers will then personally tally the cash balance with the actual cash in chest and with reference to the revalidated acknowledgements, and care should be taken to see that pay of Establishment etc. is not allowed to be mixed up before the actual count.

(4) Regarding check and verification of entries in the Cash Book, the Divisional or Sub-Divisional Officers should strictly follow the rules laid down in paragraph 80 of the Central P.W.A. Code. In this connection, attention of the Divisional Accountants attached to the Divisions should be particularly drawn to paragraph 495 of the C.P.W.A. Code requiring him to exercise a day to day check with regard to the transactions recorded in the cash accounts of the Divisional Office. It should be fully impressed on all concerned that any disregard of these instructions will construe infringement of rules and officer concerned. will render himself liable to severe disciplinary action.

Sd/- J.M. RIJHWANI,
Chief Engineer.

APPENDIX XVI

MINISTRY OF WORKS, HOUSING & SUPPLY

Note re: Excessive purchase resulting in blocking up of Capital referred to in para 285 of Commercial Appendix to Appropriation Accounts (Civil) 1952-53 and Audit Report 1954.

No. S&PII–I (54) /54 New Delhi, dated the 21st December, 1956.

From

Shri R. Ananda Krishna, Deputy Secretary to the Govt. of India.

To

The Chief Controller of Printing & Stationery, New Delhi.

Subject.–*Report of the Committee appointed by Govt. in August, 1955 to enquire into the excessive stocks of the Govt. Stationery Office, Calcutta.*

Sir,

I am directed to say that the Govt. of India have, subject to the modifications detailed below, accepted the recomendations made by the Committee appointed on 4-8-1955 under the Chairmanship of Shri P. C. Vaish, Controller of Railway Stores, Eastern Railway, Calcutta to enquire into the reasons for accumulation of excessive stocks of stationery in the Government of India Stationery Office, Calcutta, on the 31st March, 1950 and to suggest suitable formulae for working out maximum and minimum limits for maintenance of Stationery stocks under different categories:–

(*i*) *Para* 8–The permissible limit for closing stocks of Indian made articles shall be two months' normal supplies. The term 'normal supplies' is to be interpreted to mean the total supplies made to indentors in a year including the direct supplies made from Mills to indentors as well as the supplies issued from the stationery office.

(ii) The Committee's recommendation regarding the division of surplus items into 'Dead Surplus' and 'Live Surplus' items and the forcing of issue of the former against standard moving items and disposal by auction or tender sale where such issue is not possible, are accepted but the setting up of a Standing Survey Committee for the work is considered to be unnecessary. The work will be attended to by the Dy. Controller of Stationery and the Controller of Stationery (depending upon the nature of the cases) as part of their normal duties.

(iii) Para 30 (A) The method classification based on the place of procurement recommended by the Committee in regard to the fixation of the maximum and minimum limits is not acceptable to Government as it is apprehended that this may lead to a certain amount of confusion. The following classifications and minimum and maximum limits have instead been decided upon:—

(i) items where the raw materials going into their manufacture are not difficult to obtain-4 months' stock.

(ii) Other items where raw materials have to be imported or controlled or found difficult to obtain 6 months' stock.

The two categories 'difficult to obtain' and 'easy to obtain' will be determined on the basis of past actual records and reviewed once every three years.

The Government consider that the Committee's recommendation that the classification should be done with the concurrence of an Accounts Officer nominated by the Accountant General, West Bengal may lead to controversy and delay and have therefore, decided that the classification of the stores, which is purely an administrative matter, should be left to the discretion of the Controller of Stationery.

Para 30 (B) *Imported Stores.*

The Committee suggest that the indent for imported stores should be placed on the D. G., I.S.D., London based on firm demands from Indentors and these should be received 15 months in advance for the easy items and 2 years in advance for the difficult items to enable the Stationery Office to work out in advance the actual quantities to be imported.

Government consider that the indenting in advance of imported stores by the Indenting Officers recommended by the Committee, might lead to inflated demands being placed on the Stationery Office. It has, therefore, been decided that the Stationery Office should obtain estimates or requirements from the Indenting Departments 15 months in advance to enable computation to be made of the stores to be imported.

The Committee's suggestion that the classification of imported items into 'easy' and 'difficult' items be made in consultation with the D.G., I.S.D., London is also not acceptable to Government on account of practical difficulties, such as delay etc., inherent in such consultations. The Government have decided that the classification be left to the discretion of the Controller of Stationery and that the

minimum and maximum limits for imported stores should be as under:—

Easy items	Minimum Maximum	12 months' stock
Difficult items	Minimum	18 months' stock
	Maximum	12 months' stock

2. Immediate action should be taken to implement the above decisions and proposals for any additional staff etc. that may be necessary, submitted to this Ministry.

3. Government are in agreement with the findings of the Committee that the excessive stocks in the Stationery Office were in the main due to lack of a proper system for recoupment of stocks, the peculiar circumstances obtaining in the years 1947 to 1950, such as the general shortage of stationery in the country, belated arrivals of imported stores and accumulation of slow moving stocks. Government have accordingly come to the conclusion that the accumulation of stocks cannot be attributed to the negligence on the part of any officer or member of the staff of the Stationery Office.

Yours faithfully,

R. ANANDA KRISHNA,

Deputy Secretary to the Govt. of India.

APPENDIX XVII

MINISTRY OF LABOUR

Note re: Grant No. 65; sub-head C. 2 (5) (1) Original Works referred to on page 336 of Appropriation Accounts (Civil) 1952-53 and Audit Report 1954—Part II.

Points: "The reasons

(i) that originally led to the provision for Rs. 26,97,600 under this sub-head,

(ii) for re-appropriating Rs. 20,94,000/- subsequently,

(iii) that led to a saving of Rs. 2,45,900/-in the final Grant."

The facts of the case are as follows:—

The Coal Mines Labour Welfare Fund Act provides for the levy and collection of a cess on coal and coke despatched from collieries and for the transfer of the proceeds of the cess so levied to a Fund called the Coal Mines Labour Welfare Fund which finances the welfare measures for the benefit of coal miners. All the collections are first accounted for in the books of the Central Government as receipts for the Central Government and are later credited to the Coal Mines Labour Housing and General Welfare Fund and apportioned under two separate accounts, called the housing account and general Welfare account.

2. In the Budget for the year 1952-53, a sum of Rs. 26,97,600/- was provided under the head "47-Miscellaneous Departments-C-Expenditure on Coal Mines Labour Welfare Measures-C.2-Housing Account-C.2 (5)-Buildings-C. 2 (5) (1) Original Works" in Grant No. 65—Miscellaneous Departments and expenditure under the Ministry of Labour for construction works. Out of this a sum of Rs. 20,69,500/-was provided for payment subsidy to colliery owners for construction of nearly 3000 miners' houses under the subsidised Housing Scheme sanctioned in October, 1950. At that time the Scheme was considered to be an attractive one and it was thought that employers would take full advantage of it. Considering that there were about 1,000 collieries employing more than 3 lakhs workers in the various coalfields the provision of subsidy for only 3,000 houses was considered to be a very modest one. But unfortunately the response from the employers was not encouraging and the Scheme proved to be more or less a failure and even though the rate of subsidy was later on increased from 20% to 25% there was still no response.

The success of the Scheme depended entirely on the co-operation of employees but that was not forthcoming. The entire amount of Rs. 20,69,500 as well as further sum of Rs. 24,500 was therefore re-appropriated to other sub-heads where there was excess expenditure.

3. The balance of Rs. 6,03,600/- (Rs. 26,97,600 minus Rs. 20,94,000) was intended for the construction of miners' quarters, dispensary, multipurpose Institute etc. Out of this amount only an expenditure of Rs. 3,57,700/- could be incurred during the year resulting in a saving of Rs. 2,45,900/-. This was mainly due to non-completion of certain works for want of materials etc. and non-receipt of claim for "Subsidy" for the construction of miners' houses on colliery land from the colliery owners.

P. M. MENON,
Joint Secretary.

Dated, New Delhi the 18th February, 1957.

GIPD—LSI—267LS 6-7-57—1,800